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Historical Cost Separated Accounts

for the year ended June 30, 2016

Financial Statements

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Introduction

eircom Limited Historical Cost Separated Accounts

The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users Rights) Regulations 2011 (S.I. No.337 of 2011) (respectively “the Framework Regulations”, “the Access Regulations” and the “Universal Service Regulations”) establish the framework for the regulation of the provision of electronic communications networks and services in Ireland. Under this framework, the Commission for Communications Regulation (“ComReg”) may designate operators as having Significant Market Power (“SMP”) in respect of specific markets, in which case ComReg may impose on such operators a range of obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Universal Service Regulations, a requirement for accounting separation and cost accounting. eircom Limited (refer to Note 1a: Basis of preparation of the Separated Accounts) has been designated with SMP in a number of markets and in each case is subject to obligations of accounting separation and cost accounting.

The Historical Cost Separated Accounts for the year ended 30 June 2016 were prepared in accordance with this requirement and the detailed framework and financial statements requirements set out in the following ComReg Decision Notices (the 'Decision Notices') insofar as they apply to the year ended 30 June 2016:

- Decisions No. 6, 8.1, 8.2, 8.4, 8.6, 8.9 and 8.11 set out in Decision Notice D7/01 'eircom's Reference Interconnection Offer & Accounting Separation and Publication of Financial Information for Telecommunications Operators', dated April 2001;
- D3/03 'Review of the Price Cap on certain Telecommunications Services', dated February 2003;

- D03/09 'Review of regulatory asset lives of eircom Limited', dated August 2009;
- D04/09 'Rental Price for shared access to the Unbundled Local Loop Decision', dated August 2009;
- D08/10 'Accounting Separation and Cost Accounting Review of eircom Limited', dated 31 August 2010; and
- D15/14 'Cost of Capital', dated 18 December 2014.

Financial Statements have to be prepared for the following Market Groups and, where applicable, Individual Markets within these Market Groups:

Market Group	Markets
Wholesale Access	Wholesale Fixed Narrowband Access Wholesale Unbundled Access Wholesale Broadband Access Wholesale Leased Lines
Wholesale Other	Wholesale Interconnect Call Conveyance Wholesale Residual (Regulated) Wholesale Residual (Unregulated)
Retail & Other	PSTN & ISDN Access Retail Other

The full definition of the Market Groups and Individual Markets are set out in Section 2 of the Primary Accounting Documentation, dated 30 November 2016.

Introduction

The Historical Cost Regulatory Separated Accounts (“Separated Accounts”) are prepared in accordance with the Accounting Documents, where the Accounting Documents mean the Primary and Secondary Accounting Documents, as appropriate. The Primary Accounting Documents set out the framework under which the statements have been prepared.

The Primary Accounting Documents are made up of the following:

- Regulatory Accounting Principles - which lay out the general rules by which the Separated Accounts should be prepared, for example that all balances should be attributed with reference to cost causality.
- Attribution Methods - which explain how revenue, costs including transfer charges, assets and liabilities are attributed to the Markets, Network Elements and Activities within those Market Groups, following the Regulatory Accounting Principles, on a fully allocated basis.
- Transfer Charges – which explain how charges are raised between the markets.
- Accounting Policies - which detail the accounting policies adopted in preparing the underlying financial information.

For clarification, the Primary Accounting Documents contain the high level principles of attribution.

The procedures describing how these principles are applied are contained in the Secondary Accounting Documents, which identify these procedures in detail. The Secondary Accounting Documents are provided privately to ComReg, in accordance with the requirements of D08/10.

This introduction does not form part of the Accounting Documents.

Applicable Rate of Return

The applicable Rate of Return used in these Separated Accounts is 8.18%. The annual Rate of Return was mandated by ComReg in D15/14.

Statement of Directors' Responsibilities for the Separated Accounts

The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011 (S.I. No. 337 of 2011) (respectively "the Framework Regulations", "the Access Regulations" and the "Universal Service Regulations") establish the framework for the regulation of the provision of electronic communications networks and services in Ireland.

Under this framework, the Commission for Communications Regulation ("ComReg") may designate operators as having Significant Market Power ("SMP") in respect of specific markets; in which case ComReg may impose on such operators a range of obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Universal Service Regulations, a requirement for accounting separation and cost accounting. eircom Limited has been designated with SMP in a number of markets and in each case is subject to obligations of accounting separation and cost accounting. ComReg Decision D08/10 (the "Decision Instrument") of 31 August 2010 specifies the manner in which eircom Limited must meet its obligations of accounting separation and cost accounting. The directors are responsible for preparing the Historical Cost Separated Accounts which present fairly, in accordance with the Decision Instrument and all relevant ComReg Directions, the results, mean capital employed and costs incurred by the company and for each of the relevant markets.

The Historical Cost Separated Accounts for the year ended 30 June 2016 were prepared in accordance with Decision Notice D08/10. Each Financial Statement includes:

- an income statement;
- a statement of mean capital employed;
- a statement of average costs and revenue (if applicable);
- a statement of costs (if applicable); and
- a network cost market summary (if applicable).

Each Statement is prepared in accordance with the Primary

Accounting Documents. Insofar as there is any inconsistency between any or all of the Accounting Documents, the Company ensures that each financial statement is prepared in accordance with the Accounting Documents in the following order of priority:

- the regulatory accounting principles;
- the attribution methods;
- the transfer charges; and
- the accounting policies.

The Financial Statements are reconciled with the Annual Report and that reconciliation is demonstrated and explained.

eircom Limited confirms that the Financial Statements for the year ended 30 June 2016 fairly present, in accordance with the Primary Accounting Documents dated 30 November 2016, the results, mean capital employed and costs incurred by the company, and comply with the requirements of the Decision Instrument and the governing legislation.

Huib Costermans

Chief Financial Officer
On Behalf of the Board
30 November 2016

Report of the Independent Auditors to eircom Limited and ComReg

Report of the Independent Auditors to eircom Limited, (the “Company”) and the Commission for Communications Regulation (“ComReg”) issued in accordance with the Final Direction and Decision “Accounting Separation and Cost Accounting Review of eircom Limited” (“The Decision Instrument”) issued on 31 August 2010.

1. We have audited the Separated Accounts for the year ended 30 June 2016 which comprise:
 - the Consolidated Income Statement and Consolidated Statement of Mean Capital Employed on pages 8 and 9;
 - the Income Statements and Statements of Mean Capital Employed in respect of markets (the “Market Financial Statements”);
 - the Statements of Average Cost and Revenue for Wholesale Fixed Narrowband Access, Wholesale Unbundled Access, Wholesale Broadband Access and Wholesale Leased Lines, on pages 12 to 15;
 - the Statement of Costs on page 20;
 - the Network Cost Market Summary on page 22; and
 - the Notes to the financial statements on pages 24 to 29.
2. The Market Financial Statements comprise the following statements for the year ended 30 June 2016:
 - The Wholesale Access Income Statement and Statement of Mean Capital Employed on pages 10 and 11, including the Income Statements for the Wholesale Access Markets;
 - The Wholesale Other Income Statement and Statement of Mean Capital Employed on pages 16 and 17 including the Income Statements for the Wholesale Other Markets; and
 - The Retail Income Statement and Statement of Mean Capital Employed on pages 18 and 19 including the Income Statements for PSTN and ISDN Access, Meteor, Retail Other and Other Subsidiaries.
3. The Separated Accounts, which include the Market Financial Statements, are prepared by the Company under the historical cost convention in accordance with:

- Direction D08/10 (dated 31 August 2010), (“the Decision Instrument”), Decisions No. 6, 8.1, 8.2, 8.4, 8.6, 8.9 and 8.11 set out in D07/01 (dated April 2001), D03/03 (dated February 2003), D01/08 (dated May 2008), D03/09 (dated August 2009), D04/09 (dated August 2009) and D15/14 (dated 18 December 2014) (together “the Regulations”);
- The Primary Accounting Documents dated 30 November 2016.

Respective responsibilities of the Directors and Auditors

4. As explained more fully in the Statement of Directors’ Responsibilities set out on page 4, the Directors are responsible for preparing the Separated Accounts which are fairly presented in accordance with the Decision Instrument. Our responsibilities, as independent auditors, are established in Ireland by the Decision Instrument, International Standards on Auditing (UK and Ireland) and our profession’s ethical guidance.
5. Our responsibility is to audit the Separated Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board Ethical Standards for Auditors.
6. This report, including the opinion, has been prepared for and only for the Company and ComReg, in accordance with the Decision Instrument, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report of the Independent Auditors to eircom Limited and ComReg

7. We report to you our opinion as to whether:
- the Separated Accounts as a whole are fairly presented in accordance with the Primary Accounting Documents and comply with the requirements of the Decision Instrument.
 - each of the Market Financial Statements as set out in Paragraph 2 above are fairly presented in accordance with the Primary Accounting Documents and comply with the requirements of the Decision Instrument.
8. In addition, we report if, in our opinion the Company has not kept adequate accounting records, if we have not received all the information and explanations we consider necessary for our audit, or if information specified by the Decision Instrument is not disclosed.

Basis of audit opinion

9. As explained in the “Basis of Preparation” in note 1a, the Company prepared the Separated Accounts by disaggregating balances recorded in the general ledgers and other accounting records of eircom Limited and its subsidiaries (the “Group”), as amended by Directions published by ComReg, which were maintained in accordance with Companies (Jersey) Law 1991 and used, in accordance with that legislation, for the preparation of the Company’s statutory consolidated financial statements for the year ended 30 June 2016 (“the Statutory Financial Statements”).
10. PricewaterhouseCoopers audited the Statutory Financial Statements for the year ended 30 June 2016 on which they expressed an unqualified audit opinion. In conducting our subsequent examination of the Separated Accounts, and in providing the opinions below, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audit of the Statutory Financial Statements.

11. Having regard to the above:

- we conducted our audit of the Separated Accounts in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Separated Accounts sufficient to give reasonable assurance that the Separated Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
 - the reasonableness of the significant estimates made by the directors in the preparation of the Separated Accounts;
 - whether the accounting policies, as set out in the Primary Accounting Documents, have been consistently applied and adequately disclosed; and
 - the overall presentation of the Separated Accounts.
- We primarily focus our work in these areas by assessing the directors’ judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Separated Accounts.
- We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.
- In addition, we read all the financial and non-financial information in the Separated Accounts to identify material inconsistencies with the audited Separated Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. The other information comprises of the Introduction on pages 2 to 3 and the Explanatory Reports on pages 30 to 40.

Report of the Independent Auditors to eircom Limited and ComReg

Opinion

12. In our opinion:

- a) the Separated Accounts as a whole for the year ended 30 June 2016, fairly present in accordance with the Primary Accounting Documents dated 30 November 2016, the results, mean capital employed and costs incurred by the Company and comply with the requirements of the Decision Instrument.
- b) each of the Market Financial Statements for the year ended 30 June 2016, fairly present in accordance with the Primary Accounting Documents dated 30 November 2016, the results, mean capital employed and costs incurred by the Company and comply with the requirements of the Decision Instrument.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
30 November 2016

Consolidated

INCOME STATEMENT For the year ended 30 June 2016	30-Jun-16				Restated 30-Jun-15	Restated 30-Jun-15	Restated 30-Jun-15	Restated 30-Jun-15
	Total	Wholesale Access	Wholesale Other	Retail	Total	Wholesale Access	Wholesale Other	Retail
	€000	€000	€000	€000	€000	€000	€000	€000
Revenue	1,731,526	501,389	217,606	1,012,531	1,696,493	482,585	213,379	1,000,529
Operating costs	1,513,948	334,204	206,264	973,480	1,480,852	313,724	195,991	971,137
Return	217,578	167,185	11,342	39,051	215,641	168,861	17,389	29,391
Mean capital employed	1,752,523	1,240,674	110,552	401,297	1,754,117	1,213,444	119,240	421,433
Return on capital employed	12%	13%	10%	10%	12%	14%	15%	7%

Consolidated

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2016	<u>30-Jun-16</u>				<u>Restated 30-Jun-15</u>			
	<u>Total</u>	<u>Wholesale Access</u>	<u>Wholesale Other</u>	<u>Retail</u>	<u>Total</u>	<u>Wholesale Access</u>	<u>Wholesale Other</u>	<u>Retail</u>
	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets								
Property, Plant and Equipment	1,619,353	1,279,290	132,060	208,003	1,610,851	1,256,650	140,484	213,717
Intangible Assets	290,081	26,200	2,657	261,224	277,237	17,631	1,799	257,807
Other	18,578	6,772	2,756	9,050	9,694	3,195	1,391	5,108
Total Non Current Assets	1,928,010	1,312,261	137,473	478,277	1,897,782	1,277,476	143,674	476,632
Current Assets								
Inventories	10,529	3,787	615	6,127	10,431	3,112	606	6,713
Trade and other receivables	245,243	42,216	41,638	161,389	236,952	32,811	33,376	170,765
Cash and cash equivalents	176,066	68,952	25,822	81,292	200,765	70,292	27,937	102,536
Total Current Assets	431,838	114,955	68,075	248,808	448,148	106,215	61,919	280,014
Total Assets	2,359,848	1,427,215	205,548	727,085	2,345,930	1,383,691	205,593	756,646
Liabilities								
Trade and other payables	(517,292)	(128,701)	(82,603)	(305,988)	(501,862)	(115,924)	(74,059)	(311,879)
Provisions for liabilities and charges	(90,033)	(57,840)	(12,393)	(19,800)	(89,951)	(54,323)	(12,294)	(23,334)
Total Liabilities	(607,325)	(186,541)	(94,996)	(325,788)	(591,813)	(170,247)	(86,353)	(335,213)
Mean Capital Employed for the year	1,752,523	1,240,674	110,552	401,297	1,754,117	1,213,444	119,240	421,433

Wholesale Access

INCOME STATEMENT							Restated	Restated	Restated	Restated
For the year ended 30 June 2016		30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15
	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Revenue										
External revenue	171,494	79,355	3,212	62,053	26,873	155,759	81,078	3,954	44,471	26,255
Internal revenue - Inter	11,453	-	74	-	11,379	12,018	-	50	-	11,969
Internal revenue - Intra	318,442	217,551	-	75,493	25,398	314,809	221,402	-	68,071	25,335
Total revenue	501,389	296,907	3,287	137,546	63,650	482,585	302,480	4,004	112,542	63,559
Costs										
Cost of Sales	2,803	957	2	652	1,192	2,201	1,132	33	(10)	1,046
Product development and management	3,036	655	430	952	999	2,571	392	359	1,066	754
Marketing and sales	3,560	1,861	65	1,048	585	3,809	2,272	76	763	698
Repair and maintenance	68,457	52,378	531	12,292	3,256	61,450	48,934	467	8,611	3,438
Finance	5,031	2,761	69	1,636	565	4,901	2,865	75	1,376	585
Installation/Provisioning	13,026	7,788	511	3,730	997	15,246	8,585	649	5,300	712
Network support	39,130	19,790	246	14,747	4,348	31,868	16,953	216	10,567	4,132
General management	12,740	7,391	184	3,810	1,354	9,549	5,341	120	3,052	1,036
Accommodation	24,128	7,764	587	12,482	3,295	24,273	8,698	777	11,120	3,678
Information Technology	7,963	4,632	110	2,284	935	8,489	5,131	131	2,183	1,044
Transport	7,159	5,152	76	1,426	506	7,384	5,567	86	1,238	493
Personnel and administration	2,835	1,666	42	804	324	2,533	1,623	39	575	296
Other operating expenses	545	1	469	70	4	546	45	380	133	(12)
Credit management and billing	721	(68)	3	347	439	298	9	4	60	225
Depreciation	146,422	68,577	998	56,423	20,426	135,744	68,050	1,041	46,928	19,725
Total HCA wholesale operating costs	337,557	181,302	4,325	112,704	39,227	310,862	175,597	4,453	92,962	37,850
Transfer charges from Retail	-	-	-	-	-	-	-	-	-	-
Exceptional (Gain) / Loss	(3,352)	(1,164)	(84)	(1,662)	(443)	2,863	1,472	8	536	846
Total Operating costs	334,204	180,138	4,241	111,041	38,784	313,724	177,069	4,461	93,498	38,696
Return	167,185	116,769	(954)	26,504	24,866	168,861	125,411	(457)	19,044	24,863
Mean capital employed	1,240,676	692,603	10,392	398,784	138,896	1,213,442	729,018	10,568	338,364	135,492
Return on capital employed	13%	17%	-9%	7%	18%	14%	17%	-4%	6%	18%

Wholesale Access

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2016	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	Restated 30-Jun-15	Restated 30-Jun-15	Restated 30-Jun-15	Restated 30-Jun-15	Restated 30-Jun-15
Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	
€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	
Non Current Assets										
Property, Plant and Equipment	1,279,290	725,441	9,768	401,781	142,301	1,256,650	760,528	11,049	345,057	140,016
Intangible Assets	26,200	12,495	271	11,411	2,023	17,631	10,198	225	5,364	1,844
Other	6,772	3,177	73	2,691	831	3,194	1,653	41	1,099	401
Total Non Current Assets	1,312,262	741,112	10,113	415,882	145,153	1,277,475	772,379	11,315	351,520	142,261
Current Assets										
Inventories	3,787	1,401	12	2,044	329	3,112	1,204	12	1,602	294
Trade and other receivables	42,216	19,279	2,874	10,298	9,766	32,811	16,069	1,903	6,775	8,063
Cash and cash equivalents	68,952	33,691	737	26,803	7,721	70,292	38,179	880	23,352	7,881
Total Current Assets	114,955	54,371	3,623	39,145	17,816	106,214	55,452	2,795	31,730	16,238
Total Assets	1,427,217	795,483	13,735	455,027	162,969	1,383,689	827,831	14,110	383,250	158,499
Liabilities										
Trade and other payables	(128,701)	(60,522)	(2,560)	(44,824)	(20,795)	(115,924)	(57,487)	(2,860)	(35,858)	(19,720)
Provisions for liabilities and charges	(57,840)	(42,359)	(783)	(11,419)	(3,278)	(54,323)	(41,326)	(682)	(9,028)	(3,287)
Total Liabilities	(186,541)	(102,881)	(3,344)	(56,243)	(24,073)	(170,247)	(98,812)	(3,542)	(44,886)	(23,007)
Mean Capital Employed for the year	1,240,676	692,603	10,392	398,784	138,896	1,213,442	729,019	10,568	338,364	135,492

Wholesale Access

Wholesale Fixed Narrowband Access

Statement of average cost and revenue by service

For the year ended 30 June 2016

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-16	79,355	217,551	296,907	180,138	116,769	39.33%	692,603	16.86%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
SB WLR PSTN & ISDN Connections	296	1,619	1,915	165	Connections	11.62	86.18	13%
SB WLR PSTN Rental	73,272	178,987	252,259	1,162	Lines	18.10	14.49	125%
SB WLR ISDN BRA Rental	3,549	17,564	21,113	60	Lines	29.11	16.26	179%
SB WLR ISDN FRA/PRA Rental	2,238	19,381	21,620	7	Lines	259.51	106.18	244%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-15 (Restated)	81,078	221,402	302,480	177,069	125,411	41.46%	729,018	17.20%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
SB WLR PSTN & ISDN Connections	654	1,701	2,356	207	Connections	11.38	70.20	16%
SB WLR PSTN Rental	73,678	181,346	255,024	1,213	Lines	17.52	13.50	130%
SB WLR ISDN BRA Rental	4,162	18,302	22,464	64	Lines	29.21	15.71	186%
SB WLR ISDN FRA/PRA Rental	2,584	20,053	22,636	7	Lines	259.92	125.18	208%

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

Prior year SB WLR PSTN & ISDN Connections have been restated to include 46,000 non revenue generating PSTN connections

Wholesale Access

Wholesale Unbundled Access

Statement of average cost and revenue by service

For the year ended 30 June 2016

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-16	3,212	74	3,287	4,241	(954)	(29.02%)	10,392	(9.18%)

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
LLU & Line Share Connections	86	-	86	12	Connections	7.14	59.11	12%
LLU Rental	1,307	-	1,307	11	Lines	9.92	15.83	63%
Line Share Rental	703	-	703	54	Lines	1.08	0.22	500%
Physical Co-location	1,116	74	1,191		n.m			

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-15 (Restated)	3,954	50	4,004	4,461	(457)	(11.41%)	10,568	(4.32%)

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
LLU & Line Share Connections	154	-	154	24	Connections	6.43	39.78	16%
LLU Rental	1,635	-	1,635	13	Lines	10.32	14.18	73%
Line Share Rental	876	-	876	68	Lines	1.07	0.17	638%
Physical Co-location	1,290	50	1,340		n.m			

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

n.m = not measurable

Wholesale Access

Wholesale Broadband Access

Statement of average cost and revenue by service

For the year ended 30 June 2016

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-16	62,053	75,493	137,546	111,041	26,504	19.27%	398,784	6.65%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	2,409	3,833	6,242		n.m			
Bitstream Rental	10,126	15,553	25,680	156	Lines	13.74	6.99	197%
Bitstream MB Rental	13,157	11,941	25,098	301	Lines	6.95	4.16	167%
Bitstream Plus Rental	19,764	20,567	40,332	356	Lines	9.43	14.84	64%
Bitstream MB Usage	8,725	9,079	17,803	301	Lines	4.93	4.28	115%
Bitstream Plus Usage	7,872	14,520	22,392	332	Lines	5.62	7.63	74%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-15 (Restated)	44,471	68,071	112,542	93,498	19,044	16.92%	338,364	5.63%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	1,011	4,827	5,838		n.m			
Bitstream Rental	13,056	18,484	31,540	195	Lines	13.48	6.44	209%
Bitstream MB Rental	10,616	14,374	24,990	352	Lines	5.92	3.86	154%
Bitstream Plus Rental	8,102	11,911	20,013	205	Lines	8.12	16.99	48%
Bitstream MB Usage	8,409	9,814	18,223	352	Lines	4.32	3.90	111%
Bitstream Plus Usage	3,277	8,662	11,938	202	Lines	4.93	9.65	51%

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

n.m = not meaningful as this revenue includes upgrades, downgrades, connections and port transfers

The prior year volumes for Bitstream Rental and Bitstream MB Rental & Usage have been restated to move 9,100 SAAB lines from Bitstream Rental to Bitstream MB Rental & Usage to be consistent with the mapping of related revenue and costs

Wholesale Access

Wholesale Leased Lines

Statement of average cost and revenue by service

For the year ended 30 June 2016

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-16	26,873	36,777	63,650	38,784	24,866	39.07%	138,896	17.90%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
Wholesale LL and Ethernet connections	511	434	945	1.405	Connections	673	1,115	60%
Wholesale Ethernet Rental	14,476	25,668	40,143	-	n.m	-	-	-
Wholesale LL Rental <155Mb	2,226	6,223	8,449	2.815	Circuits	250	160	157%
Wholesale LL Rental >=155 Mb	2,021	2,044	4,065	0.026	Circuits	13,198	15,343	86%
PPC EULs Rental < 155MB	7,287	1,892	9,179	2.760	Circuits	277	163	170%
PPC EULs Rental >= 155MB	352	517	869	0.027	Circuits	2,716	1,481	183%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-15 (Restated)	26,255	37,304	63,559	38,696	24,863	39.12%	135,492	18.35%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
Wholesale LL and Ethernet connections	871	332	1,202	1.080	Connections	1,113	992	112%
Wholesale Ethernet Rental	11,951	21,490	33,442	-	n.m	-	-	-
Wholesale LL Rental <155Mb	2,600	6,124	8,724	3.120	Circuits	233	171	137%
Wholesale LL Rental >=155 Mb	2,012	2,293	4,305	0.027	Circuits	13,453	12,311	109%
PPC EULs Rental < 155MB	8,341	4,843	13,184	4.004	Circuits	274	175	157%
PPC EULs Rental >= 155MB	481	2,221	2,702	0.061	Circuits	3,691	1,249	296%

Average circuit revenue and costs are monthly averages

Circuit volumes are average volumes

n.m = not measurable

Wholesale Other

INCOME STATEMENT For the year ended 30 June 2016					Restated			
	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15
	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)
	€000	€000	€000	€000	€000	€000	€000	€000
Revenue								
External revenue	137,570	37,716	16,577	83,277	122,781	37,942	19,504	65,335
Internal revenue - Inter	20,203	10,102	1,894	8,208	23,007	8,164	2,376	12,467
Internal revenue - Intra	59,832	42,539	3,023	14,270	67,591	48,286	3,262	16,043
Total revenue	217,606	90,357	21,493	105,755	213,379	94,393	25,141	93,845
Costs								
Cost of Sales	87,987	69,473	(99)	18,613	86,615	70,598	392	15,625
Product Development and management	1,296	274	408	614	728	147	287	294
Marketing and Sales	2,599	84	175	2,339	2,670	140	245	2,285
Repair and maintenance	6,840	5,075	1,054	710	3,119	3,489	613	(983)
Finance	885	377	103	405	852	411	85	356
Installation/Provisioning	1,225	-	276	949	763	2	50	711
Network support	5,742	3,191	519	2,032	5,432	2,832	464	2,136
General management	2,511	852	271	1,388	1,679	699	177	803
Accommodation	7,356	4,922	721	1,712	7,742	5,118	731	1,893
Information Technology	1,498	688	199	611	1,552	420	189	943
Transport	518	158	72	289	568	149	80	339
Personnel and administration	427	156	51	220	404	126	45	233
Other operating expenses	3,956	9	5	3,941	4,234	(9)	(2)	4,245
Credit management and billing	1,028	(213)	224	1,016	555	454	60	41
Depreciation	20,962	10,859	1,864	8,239	20,984	11,428	1,805	7,751
Total HCA wholesale operating costs	144,829	95,905	5,844	43,079	137,897	96,004	5,221	36,672
Transfer charges from Wholesale / Revenue transfer to Retail	62,362	656	10,295	51,411	55,774	617	12,906	42,251
Exceptional (Gain) / Loss	(927)	(640)	(90)	(197)	2,319	941	276	1,102
Total Operating costs	206,264	95,922	16,049	94,293	195,991	97,562	18,404	80,025
Return	11,342	(5,566)	5,444	11,463	17,389	(3,168)	6,737	13,820
Mean capital employed	110,552	75,458	18,846	16,246	119,239	79,044	19,932	20,263
Return on capital employed	10%	-7%	29%	71%	15%	-4%	34%	68%

Wholesale Other

STATEMENT OF MEAN CAPITAL EMPLOYED
as at 30 June 2016

	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	Restated 30-Jun-15	30-Jun-15	30-Jun-15	Restated 30-Jun-15
Total	€000	Wholesale Interconnect Call Conveyance €000	Wholesale Residual (Regulated) €000	Wholesale Residual (Unregulated) €000	Total	Wholesale Interconnect Call Conveyance €000	Wholesale Residual (Regulated) €000	Wholesale Residual (Unregulated) €000
Non Current Assets								
Property, Plant and Equipment	132,060	68,115	16,387	47,558	140,484	73,668	17,792	49,024
Intangible Assets	2,657	734	309	1,614	1,799	426	446	927
Other	2,756	1,802	134	820	1,391	927	62	402
Total Non Current Assets	137,472	70,649	16,831	49,992	143,674	75,021	18,300	50,353
Current Assets								
Inventories	615	518	67	30	606	487	62	57
Trade and other receivables	41,638	19,427	3,902	18,309	33,376	12,300	3,284	17,792
Cash and cash equivalents	25,822	17,456	1,008	7,358	27,937	19,222	1,069	7,646
Total Current Assets	68,076	37,402	4,977	25,697	61,919	32,009	4,415	25,495
Total Assets	205,548	108,051	21,808	75,689	205,593	107,030	22,715	75,848
Liabilities								
Trade and other payables	(82,603)	(29,115)	(2,375)	(51,113)	(74,059)	(24,658)	(2,315)	(47,086)
Provisions for liabilities and charges	(12,393)	(3,477)	(586)	(8,330)	(12,294)	(3,326)	(468)	(8,500)
Total Liabilities	(94,996)	(32,592)	(2,961)	(59,443)	(86,354)	(27,984)	(2,784)	(55,586)
Mean Capital Employed for the year	110,552	75,459	18,847	16,246	119,239	79,046	19,931	20,262

Retail

INCOME STATEMENT For the year ended 30 June 2016	30-Jun-16						Restated 30-Jun-15		Restated 30-Jun-15			
	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Revenue												
External revenue	981,837	-	209,151	345,391	385,081	42,214	967,275	-	229,231	338,943	359,882	39,219
Internal revenue - Inter	21,036	(14,305)	233	13,235	12,229	9,644	21,188	(13,514)	231	13,447	12,681	8,342
Internal revenue - Intra	9,658	-	-	-	9,658	-	12,066	-	-	-	12,066	-
Total revenue	1,012,531	(14,305)	209,384	358,626	406,968	51,858	1,000,529	(13,514)	229,462	352,390	384,628	47,562
Retail Costs												
Cost of Sales	77,428	-	233	-	77,195	-	61,588	-	412	-	61,176	-
Product Development and management	12,263	-	1,362	-	10,901	-	14,484	-	1,460	-	13,023	-
Marketing and Sales	72,442	-	17,251	-	55,191	-	69,707	-	17,231	-	52,476	-
Repair and maintenance	3,790	-	1,085	-	2,705	-	5,662	-	986	-	4,676	-
Finance	4,010	-	738	4	3,268	-	4,368	-	837	-	3,531	-
Installation/Provisioning	1,446	-	-	-	1,446	-	2,037	-	-	-	2,037	-
Network support	2,412	-	107	-	2,305	-	3,502	-	129	-	3,373	-
General management	10,328	-	1,936	7	8,386	-	8,381	-	1,349	-	7,032	-
Accommodation	19,951	-	1,114	2	18,835	-	22,344	-	1,548	-	20,796	-
Information Technology	10,052	-	1,082	1	8,969	-	11,657	-	1,004	-	10,653	-
Transport	1,890	-	264	-	1,626	-	2,183	-	296	-	1,887	-
Personnel and administration	2,582	-	230	-	2,351	-	2,535	-	227	-	2,309	-
Other operating expenses	1,363	(528)	(9)	-	1,900	-	2,246	(602)	(11)	-	2,859	-
Credit management and billing	16,877	-	9,418	174	7,285	-	19,042	-	10,064	-	8,979	-
Depreciation	44,165	-	2,840	1	41,323	-	34,315	-	3,106	-	31,209	-
Group/Meteor Operating costs	369,348	(13,777)	-	340,315	-	42,810	368,300	(12,912)	-	341,178	-	40,034
Total HCA retail operating costs	650,345	(14,305)	37,651	340,504	243,686	42,810	632,351	(13,514)	38,638	341,178	226,016	40,034
Transfer charges from Wholesale	325,570	-	182,670	-	142,901	-	338,691	-	193,673	-	145,018	-
Exceptional (Gain) / Loss	(2,436)	-	(129)	2	(2,308)	-	96	-	6	(13)	102	-
Total Operating costs	973,480	(14,305)	220,192	340,506	384,278	42,810	971,138	(13,514)	232,317	341,165	371,136	40,034
Return	39,051	-	(10,808)	18,120	22,690	9,049	29,391	-	(2,855)	11,225	13,492	7,527
Mean capital employed	401,297	-	29,995	(18,649)	378,354	11,597	421,432	-	30,017	(27,919)	361,426	57,909
Return on capital employed	10%	0%	-36%	N/a	6%	78%	7%	0%	-10%	N/a	4%	13%

Retail

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2016												
	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	
	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets												
Property, Plant and Equipment	208,003	-	6,997	101,945	90,460	8,601	213,717	-	9,018	95,536	100,399	8,764
Intangible Assets	261,224	-	7,378	179,424	74,421	-	257,807	-	7,417	193,008	57,382	-
Other	9,050	-	702	650	4,487	3,211	5,108	-	382	740	2,306	1,679
Total Non Current Assets	478,277	-	15,077	282,020	169,368	11,812	476,632	-	16,818	289,284	160,087	10,443
Current Assets												
Inventories	6,127	-	-	1,201	4,925	-	6,713	-	-	1,362	5,176	175
Trade and other receivables	161,389	(393,353)	36,861	74,088	273,685	170,107	170,765	(497,343)	41,052	80,984	315,182	230,890
Cash and cash equivalents	81,292	-	7,151	12,155	48,889	13,096	102,536	-	8,306	11,800	55,807	26,623
Total Current Assets	248,808	(393,353)	44,012	87,444	327,500	183,204	280,014	(497,343)	49,358	94,146	376,165	257,688
Total Assets	727,085	(393,353)	59,089	369,464	496,868	195,016	756,646	(497,343)	66,176	383,430	536,253	268,130
Liabilities												
Trade and other payables	(305,988)	393,353	(28,543)	(373,629)	(113,749)	(183,419)	(311,879)	497,343	(35,196)	(397,095)	(166,710)	(210,221)
Provisions for liabilities and charges	(19,800)	-	(552)	(14,483)	(4,766)	-	(23,334)	-	(963)	(14,254)	(8,117)	-
Total Liabilities	(325,788)	393,353	(29,095)	(388,112)	(118,515)	(183,419)	(335,214)	497,343	(36,159)	(411,349)	(174,827)	(210,221)
Mean Capital Employed for the year	401,297	-	29,995	(18,649)	378,354	11,597	421,432	-	30,017	(27,919)	361,426	57,909

Statement of Costs

For the year ended 30 June 2016

Full allocated cost (€000)	Operating costs	Exceptional Operating Costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs	Volume	Average costs per unit
Copper Access Network	94,160	(343)	668,444	8.18%	54,679	148,496	1,354,159	109.66
Fibre/High Speed Access Network	6,483	(40)	53,839	8.18%	4,402	10,847	9,565	1,133.98
NGA	34,494	(465)	163,086	8.18%	13,341	47,369	(a)	(a)
DSL Equipment	14,032	(373)	32,166	8.18%	2,631	16,289	(a)	(a)
Other Access Equipment	1,912	-	4,933	8.18%	404	2,316	(a)	(a)
Provisioning	16,384	(48)	9,909	8.18%	811	17,147	(a)	(a)
Repair	70,619	(351)	16,023	8.18%	1,311	71,579	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	11,261	(405)	31,602	8.18%	2,585	13,442	1,229,066	10.94
<i>Call Sensitive</i>								
Call Sensitive	4,921	(123)	10,351	8.18%	847	5,644	(a)	(a)
<i>Traffic sensitive</i>								
Traffic sensitive	5,581	(183)	11,335	8.18%	927	6,325	(a)	(a)
Interconnect Equipment	351	(9)	(572)	8.18%	(47)	295	(a)	(a)
Intelligent Network	998	(3)	117	8.18%	10	1,005	2,246,267	0.447
Other Switching Elements	262	(5)	287	8.18%	23	280	(a)	(a)
<u>Transmission network</u>								
<i>Transmission: Non-length dependent</i>								
PSTN link	10,673	(286)	22,940	8.18%	1,876	12,264	4,770,062	0.257
Interconnect link	1,059	(28)	2,697	8.18%	221	1,252	(a)	(a)
Data incl leased Lines link	4,659	(125)	10,415	8.18%	852	5,386	(a)	(a)
DSL transmission link	7,020	(190)	14,061	8.18%	1,150	7,980	(a)	(a)
Other data link	1,803	(48)	4,127	8.18%	338	2,093	(a)	(a)
NGN link	33,506	(515)	90,555	8.18%	7,407	40,398	(a)	(a)
Other transmission link	2,769	(73)	6,709	8.18%	549	3,245	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN length	2,255	(20)	15,224	8.18%	1,245	3,480	1,552,542	0.224
Interconnect Length	169	(1)	782	8.18%	64	232	(a)	(a)
Data incl leased Lines length	1,920	(18)	11,117	8.18%	909	2,811	(a)	(a)
DSL transmission length	1,959	(17)	14,033	8.18%	1,148	3,089	(a)	(a)
Other data length	3,523	(33)	19,040	8.18%	1,557	5,048	(a)	(a)
Transmission: Optical	1,778	(12)	12,354	8.18%	1,011	2,777	(a)	(a)
NGN length	10,617	(87)	60,938	8.18%	4,985	15,516	(a)	(a)
Other transmission length	230	(4)	896	8.18%	73	300	(a)	(a)
<u>Data platforms</u>								
Legacy Leased Lines	4,649	(70)	10,261	8.18%	839	5,418	(a)	(a)
Other Data	3,188	(49)	6,406	8.18%	524	3,663	(a)	(a)
IMS Platform	5,503	(18)	23,646	8.18%	1,934	7,419	(a)	(a)
Outpayments	90,783	-	(495)	8.18%	(40)	90,743	(a)	(a)
Carrier Administration	18,375	(267)	11,124	8.18%	910	19,018	(a)	(a)
Carrier billing	2,809	(26)	43,688	8.18%	3,574	6,357	(a)	(a)
Other SMP elements	2,923	(17)	7,672	8.18%	628	3,534	(a)	(a)
Non-SMP elements	8,758	(28)	(38,484)	8.18%	(3,148)	5,582	(a)	(a)
Total	482,386	(4,280)	1,351,226	8.18%	110,530	588,636		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

Statement of Costs

For the year ended 30 June 2015 (Restated)

	Operating costs	Exceptional operating costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs	Volume	Average costs per unit
Full allocated cost (€000)								
Copper Access Network	86,626	787	673,948	8.18%	55,129	142,542	1,355,938	105.12
Fibre/High Speed Access Network	5,505	-	47,948	8.18%	3,920	9,427	8,258	1,141.56
NGA	26,879	12	140,178	8.18%	11,467	38,358	(a)	(a)
DSL Equipment	16,356	70	34,329	8.18%	2,808	19,233	(a)	(a)
Other Access Equipment	2,563	-	6,100	8.18%	499	3,062	(a)	(a)
Provisioning	17,653	(1)	9,539	8.18%	780	18,432	(a)	(a)
Repair	64,074	(17)	17,447	8.18%	1,427	65,484	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	12,632	355	36,420	8.18%	2,979	15,967	1,284,415	12.43
<i>Call Sensitive</i>	5,333	81	12,057	8.18%	986	6,400	6,297,773	0.102
<i>Traffic sensitive</i>	5,049	43	12,330	8.18%	1,009	6,101	18,942,766	0.032
Interconnect Equipment	252	1	(578)	8.18%	(47)	206	(a)	(a)
Intelligent Network	1,160	-	279	8.18%	23	1,183	2,440,843	0.485
Other Switching Elements	(5)	4	17	8.18%	1	-	(a)	(a)
<i>Transmission network</i>								
<i>Transmission: Non-length dependent</i>								
PSTN link	10,131	706	25,840	8.18%	2,114	12,950	9,629,734	0.134
Interconnect link	1,061	180	3,122	8.18%	255	1,496	(a)	(a)
Data incl leased Lines link	5,090	465	13,414	8.18%	1,097	6,652	(a)	(a)
DSL transmission link	6,733	193	16,090	8.18%	1,316	8,242	(a)	(a)
Other data link	1,843	204	4,997	8.18%	409	2,456	(a)	(a)
NGN link	29,058	14	87,384	8.18%	7,148	36,220	(a)	(a)
Other transmission link	2,818	382	7,997	8.18%	654	3,854	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN link	1,991	13	14,498	8.18%	1,186	3,191	5,419,639	0.059
Interconnect Length	153	3	759	8.18%	62	218	(a)	(a)
Data incl leased Lines length	1,865	23	11,569	8.18%	946	2,834	(a)	(a)
DSL transmission length	1,700	5	13,542	8.18%	1,108	2,812	(a)	(a)
Other data length	3,348	45	18,912	8.18%	1,547	4,941	(a)	(a)
Transmission: Optical	1,243	19	8,948	8.18%	732	1,994	(a)	(a)
NGN length	8,520	90	54,025	8.18%	4,419	13,030	(a)	(a)
Other transmission length	407	9	2,239	8.18%	183	600	(a)	(a)
<i>Data platforms</i>								
Legacy Leased Lines	5,417	282	12,699	8.18%	1,039	6,738	(a)	(a)
Other Data	4,265	110	8,773	8.18%	718	5,093	(a)	(a)
IMS Platform	4,099	1	21,388	8.18%	1,750	5,850	(a)	(a)
Outpayments	88,584	-	4,204	8.18%	344	88,928	(a)	(a)
Carrier Administration	16,728	992	15,754	8.18%	1,289	19,009	(a)	(a)
Carrier billing	1,771	39	25,082	8.18%	2,052	3,862	(a)	(a)
Other SMP elements	1,853	72	4,330	8.18%	354	2,279	(a)	(a)
Non-SMP elements	5,915	-	(32,902)	8.18%	(2,691)	3,224	(a)	(a)
Total	448,670	5,182	1,332,678	8.18%	109,011	562,867		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

Network Cost Market Summary

For the year ended 30 June 2016

Full allocated Cost (€000)	Total Operating and Capital Costs	Wholesale Fixed Network Access	Wholesale Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Retail Residual
Copper access network	148,495	136,682	1,166	1,229	9,418	-	-	-	-
Fibre/High Speed Access Network	10,847	843	-	7,984	225	-	1,374	421	-
NGA	47,370	-	-	-	47,370	-	-	-	-
DSL equipment	16,291	-	-	-	16,291	-	-	-	-
Other access equipment	2,316	1,199	-	813	302	-	-	2	-
Provisioning wholesale networks	17,147	13,350	714	1,433	975	-	443	232	-
Repair wholesale networks	71,578	60,715	605	1,006	8,836	91	209	113	3
<i>Line Sensitive</i>									
Subscriber unit - line sensitive	13,441	13,441	-	-	-	-	-	-	-
<i>Call Sensitive</i>									
Traffic sensitive	5,645	-	-	-	-	5,645	-	-	-
<i>Traffic sensitive</i>									
Interconnect equipment	6,326	-	-	-	-	6,326	-	-	-
Intelligent Network	296	-	-	-	-	(29)	325	-	-
Other switching elements	1,004	-	-	-	-	1,004	-	-	-
Other switching elements	280	-	-	-	-	53	227	-	-
<u>Transmission network</u>									
<i>Transmission: Non-length dependent</i>									
PSTN link	12,264	-	-	-	-	12,264	-	-	-
Interconnect link	1,251	-	-	-	-	-	1,251	-	-
Data incl leased lines link	5,387	298	-	4,003	762	140	-	184	-
DSL transmission link	7,981	-	-	-	7,981	-	-	-	-
Other data link	2,093	-	-	1,197	716	-	9	171	-
NGN Link	40,398	-	-	13,027	25,880	-	-	1,491	-
Other transmission link	3,244	1,791	-	416	2	199	586	250	-
<i>Transmission: Length dependent</i>									
PSTN length	3,478	-	-	-	-	3,478	-	-	-
Interconnect length	231	-	-	-	-	22	209	-	-
Data incl leased lines length	2,811	65	-	2,310	203	30	-	203	-
DSL transmission length	3,089	-	-	-	3,089	-	-	-	-
Other data length	5,047	-	-	3,537	1,037	-	32	441	-
Transmission: Optical	2,776	-	-	2,608	-	-	-	168	-
NGN length	15,514	-	-	2,535	12,979	-	-	-	-
Other transmission length	299	57	-	87	11	40	14	90	-
<u>Data platforms</u>									
Legacy leased lines	5,418	2,019	-	2,393	795	186	23	1	1
Other data platforms	3,664	-	-	956	1,422	-	4	1,277	5
IMS Platform	7,420	-	-	-	-	-	-	7,420	-
Outpayments	90,742	976	2	1,214	655	69,067	(104)	18,932	-
Carrier administration	19,014	4,480	1,758	2,594	3,275	549	869	5,453	36
Carrier billing	6,364	351	106	619	1,024	2,092	988	1,184	-
Other SMP elements	3,534	526	603	254	411	281	791	668	-
Non-SMP elements	5,581	-	136	(69)	4	-	-	5,510	-
Total Wholesale Costs	588,636	236,793	5,090	50,146	143,663	101,438	7,250	44,211	45

Network Cost Market Summary
For the year ended 30 June 2015 (Restated)

	Total Operating and Capital Costs	Wholesale Fixed Network Access	Wholesale Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Retail Residual
Full allocated Cost (@000)									
Copper access network	142,542	136,097	1,358	1,194	3,892	-	-	1	-
Fibre/High Speed Access Network	9,427	848	-	6,271	147	-	1,810	351	-
NGA	38,358	-	-	-	38,357	-	-	-	-
DSL equipment	19,233	-	-	-	19,233	-	-	-	-
Other access equipment	3,062	1,432	-	1,626	-	-	-	4	-
Provisioning wholesale networks	18,432	13,484	963	970	2,641	-	204	162	8
Repair wholesale networks	65,484	57,666	581	1,363	5,409	94	224	141	8
<i>Line Sensitive</i>									
Subscriber unit - line sensitive	15,967	15,967	-	-	-	-	-	-	-
<i>Call Sensitive</i>									
Call Sensitive	6,400	-	-	-	-	6,400	-	-	-
<i>Traffic sensitive</i>									
Traffic sensitive	6,100	-	-	-	-	6,100	-	-	-
Interconnect equipment	206	-	-	-	-	(36)	241	-	-
Intelligent Network	1,183	-	-	-	-	1,183	-	-	-
Other switching elements	-	-	-	-	-	(148)	148	-	-
<u>Transmission network</u>									
<i>Transmission: Non-length dependent</i>									
PSTN link	12,950	-	-	-	-	12,950	-	-	-
Interconnect link	1,496	-	-	-	-	-	1,496	-	-
Data incl leased lines link	6,652	310	-	5,899	6	142	1	292	-
DSL transmission link	8,242	-	-	-	8,242	-	-	-	-
Other data link	2,456	-	-	1,460	824	-	10	162	-
NGN Link	36,220	-	-	11,930	23,286	-	-	1,004	-
Other transmission link	3,854	2,975	-	110	2	244	164	359	-
<i>Transmission: Length dependent</i>									
PSTN length	3,191	-	-	-	-	3,192	-	-	-
Interconnect length	218	-	-	-	-	23	195	-	-
Data incl leased lines length	2,834	64	-	2,511	1	30	-	228	-
DSL transmission length	2,812	-	-	-	2,812	-	-	-	-
Other data length	4,941	-	-	3,400	1,158	-	28	355	-
Transmission: Optical	1,994	-	-	1,811	-	-	-	183	-
NGN length	13,030	-	-	2,421	10,608	-	-	-	-
Other transmission length	600	58	-	87	13	38	12	391	-
<i>Data platforms</i>									
Legacy leased lines	6,738	2,334	-	4,151	11	214	26	1	1
Other data platforms	5,093	-	-	796	757	-	5	3,532	2
IMS Platform	5,850	-	-	-	-	-	-	5,850	-
Outpayments	88,929	853	34	1,064	66	70,646	400	15,866	-
Carrier administration	19,009	4,123	1,804	2,264	2,865	394	845	6,713	-
Carrier billing	3,862	214	8	296	297	1,930	650	466	-
Other SMP elements	2,279	436	491	199	200	-	666	288	-
Non-SMP elements	3,224	-	107	(48)	74	12	-	3,080	-
Total Wholesale Costs	562,868	236,861	5,346	49,775	120,901	103,408	7,125	39,429	19

Notes to the Financial Statements

Note 1a: Basis of Preparation of the Separated Accounts

eircom Limited (Jersey incorporated company - 116389) was incorporated on August 7, 2014. eircom Limited (Jersey incorporated company) did not trade during the period from incorporation on August 7, 2014 to June 30, 2015. On July 1, 2015, eircom Limited (Jersey incorporated company) acquired the business assets and liabilities of eircom Limited (Irish registered company - 98789), a fellow subsidiary of eircom Holdings (Ireland) Limited. The assets and liabilities acquired were recorded at the carrying values for the assets and liabilities as stated in the Consolidated Financial Statements of eircom Holdings (Ireland) Limited, the highest entity that has common control for which consolidated IFRS financial statements are prepared. The business transfer was undertaken in the context of a corporate reorganisation within the eircom Holdings (Ireland) Limited group. Under Jersey Company Law, this transaction has been accounted for using the predecessor method of accounting in the Consolidated Financial Statements.

The financial information for the year ended June 30, 2016 in these Separated Accounts is prepared by attributing the balances in the general ledgers and other accounting records of eircom Limited (Jersey incorporated company) to the Markets and disaggregated Activities. The fair value adjustments associated with the corporate reorganisation have been excluded from the Separated Accounts. Refer to notes 3 and 4 for further details of these fair value adjustments.

The comparative financial information for the year ended June 30, 2015 in these Separated Accounts is prepared by attributing the balances in the general ledgers and other accounting records of eircom Limited (Irish registered company) to the Markets and disaggregated Activities.

The structure of the Separated Accounts required under the Decision Notices does not correspond to the way in which the group is organised and hence the way the statutory accounting records are structured. The Separated Accounts are therefore produced by overlaying the requirements of the Decision Notices on the statutory accounting record structure of eircom Limited.

These Separated Accounts are prepared by attributing the balances in eircom Limited's general ledgers and other accounting records (as amended by Directions published by ComReg) to the Markets and disaggregated Activities. As required by the Decision Notices, wherever possible, revenue, costs, assets and liabilities are directly associated with either a Market or Network Element using information recorded within eircom Limited's accounting records and are directly attributed to that item. Where no such direct attribution is possible, the revenue, costs, assets and liabilities are apportioned between two or more Activities, Network Elements or Markets on a basis that reflects the causality of the revenue, cost, asset or liability. Residual costs for which no direct or indirect method of apportionment can be identified are allocated using an equal proportionate mark-up method. Details of this process are given in the Attribution Methods sections within the Accounting Documents.

Typically, in a fully allocated primary accounting system, a number of attribution methods are available. In selecting financial attribution methods and appropriate non-financial data for use within the attribution models employed in the production of the Separated Accounts, eircom Limited has had to make certain estimates and exercise its judgement, having regard to the regulatory principles, including cost causality and objectivity, in order to comply with the requirements of the relevant directions.

Notes to the Financial Statements

Certain non-financial data used in the preparation of these Separated Accounts has been derived using sampling techniques appropriate to that data. eircom Limited will continue to review and update attribution methods on an on-going basis and, where deemed appropriate, make necessary improvements.

The financial data included in these Separated Accounts is presented in thousands, and has been subject to rounding adjustments. As a result, the totals of the data in this document may vary slightly from the actual arithmetic totals.

Note 1b: Comparative Figures and Methodology Changes

ComReg requires that where data for the previous financial year is not comparable, as a result of a material change in accounting policy, cost attribution or material error, the figures for the preceding year must be adjusted to the extent that it is reasonable to do so.

The preparation of these financial statements requires estimation of the appropriate utilisation of network equipment by pre-defined product and service offerings. The principles under which the financial statements are prepared require that the network cost components are aligned as closely as possible with the external and IBU revenues arising in respect of these specific products. The determination of the appropriate usage of network components requires a level of estimation and certain assessments have been revised in this respect in the current year to more closely align the revenues and costs at the product level.

Following discussions with ComReg, eircom Limited revised the driver for the distribution of exchange electricity costs, from footprint size to

equipment power consumption. The prior year figures have been restated in order to reflect this change in methodology. The impact in the Statement of Costs is a shift of c. €2.6m of operating costs moving from the network element Copper Access to NGN Link (€1.0m), DSL Equipment (€1.0m) and Carrier Administration (€0.6m) network elements. The related impact in the Income Statements is a movement of operating costs of €2.6m from Wholesale Fixed Narrowband Access and €0.2m from Wholesale Residual Unregulated, with increases in Wholesale Broadband Access (€1.8m), Wholesale Unbundled (€0.8m) and Wholesale Leased Lines (€0.2m).

In addition, following an assessment of the treatment and mapping of certain provisioning costs, a correction and remapping of certain appropriation installation costs was required to better reflect the underlying nature of these costs. The prior year operating costs figures within the Statement of Costs, were restated to reflect an increase of €4.0m in the NGA network element with a corresponding decrease of €3.8m in the Outpayments Network Element and a decrease of €0.2m in Retail operating costs. The impact in the prior year Income Statements is an increase of operating costs of €1m in the Wholesale Fixed Narrowband Access with related decreases in the operating costs of Wholesale Unbundled Access (€0.7m) and Retail (€0.3m).

The overall impact of these changes on prior year published market returns is summarised below:

Market	2015	2015	2015	2015	2015	2015
	Original Return Eur '000s	Restated Return Eur '000s	Original MCE Eur '000s	Restated MCE Eur '000s	Original Return %	Restated Return %
Wholesale Fixed Narrowband Access	123,861	125,411	730,018	729,018	17%	17%
Wholesale Unbundled Access	-358	-457	8,268	10,568	-4%	-4%
Wholesale Broadband Access	20,844	19,044	339,064	338,364	6%	6%
Wholesale Leased lines	25,065	24,863	135,692	135,492	18%	18%
Wholesale Access (In TOTAL)	169,412	168,861	1,213,042	1,213,442	14%	14%
Wholesale Other	17,139	17,389	119,639	119,239	14%	15%
Retail	29,089	29,391	421,433	421,432	7%	7%

Notes to the Financial Statements

The adjustments have also been appropriately reflected in the Statements of average cost and revenue by service to ensure they are consistent.

There have been no other material changes in accounting policy, cost attribution or material errors noted which require restatement.

Note 2: Intra/Inter Business Turnover Reconciliation

FROM / TO								TOTAL	
		Wholesale Access Jun-16 Intra €000	Wholesale Access Jun-16 Inter €000	Wholesale Other Jun-16 Intra €000	Wholesale Other Jun-16 Inter €000	Retail Jun-16 Intra €000	Retail Jun-16 Inter €000	Jun-16 Intra €000	Jun-16 Inter €000
Wholesale Access:	Wholesale Fixed Narrowband Access	-	-	35,605	-	181,946	-	217,551	-
	Wholesale Unbundled Access	-	-	-	-	-	74	-	74
	Wholesale Broadband Access	-	-	4,058	-	71,435	-	75,493	-
	Wholesale Leased Lines	-	-	656	-	24,742	11,379	25,398	11,379
	Total	-	-	40,319	-	278,123	11,453	318,442	11,453
Wholesale Other:	Wholesale Interconnect Call Conveyance	-	-	11,473	-	31,067	10,101	42,539	10,102
	Wholesale Residual (Regulated)	-	-	912	-	2,111	1,894	3,023	1,894
	Wholesale Residual (Unregulated)	-	-	-	-	14,270	8,208	14,270	8,208
	Total	-	-	12,385	-	47,447	20,203	59,832	20,204
Retail	PSTN & ISDN Access	-	-	-	-	-	233	-	233
	Meteor	-	225	-	12,482	-	528	-	13,235
	Other Subsidiaries	-	-	-	8,330	-	1,315	-	9,644
	Retail Other	-	-	9,658	-	-	12,229	9,658	12,229
	Total	-	225	9,658	20,811	-	14,305	9,658	35,341
TOTAL	-	225	62,362	20,811	325,570	45,962	387,932	66,998	

Note 3: Income Statement Reconciliation

Consolidated market groups

Income Statement Reconciliation
For the year ended 30 June 2016

Wholesale Access
Wholesale Other
Retail
Total
Adjustments
Elimination of inter business turnover and costs between wholesale and retail
Transfer charges between Retail and Wholesale
Interest payable and similar charges disallowed
Share of profit of associates
Tax on profits on ordinary activities
Impact of change to asset lives
Brand amortisation disallowed
IFRS pension adjustment
Fair value adjustments in respect of depreciation
Fair value lease adjustment
Non relevant eircom operating costs
As in the Annual Report

Revenue	Operating costs	Return	Revenue	Operating costs	Return
Jun-16	Jun-16	Jun-16	Jun-15	Jun-15	Jun-15
€000	€000	€000	€000	€000	€000
			Restated	Restated	Restated
501,389	334,204	167,185	482,585	313,724	168,861
217,606	206,264	11,342	213,379	195,991	17,389
1,012,531	973,480	39,051	1,000,529	971,137	29,391
1,731,526	1,513,948	217,578	1,696,493	1,480,852	215,641
(49,630)	(49,630)	-	(53,052)	(53,052)	-
(387,934)	(387,934)	-	(394,466)	(394,466)	-
-	-	(168,315)	-	-	(217,406)
-	-	1,659	-	-	1,344
-	-	11,446	-	-	3,273
-	30,585	(30,585)	-	29,474	(29,474)
-	19,050	(19,050)	-	-	-
-	-	(10,878)	-	-	(11,185)
-	51,124	(51,124)	-	-	-
-	(8,229)	8,229	-	-	-
-	69,287	(69,287)	-	30,692	(30,692)
1,293,962	1,238,202	(110,327)	1,248,976	1,093,500	(68,499)

Note 4: Statement of Mean Capital Employed Reconciliation

Consolidated market groups		
Statement of Mean Capital Employed Reconciliation as at 30 June 2016		(Restated)
	Capital employed Jun-16 €000	Capital employed Jun-15 €000
Shareholders' funds as in the Annual Report	(1,461,391)	(1,191,353)
Reconciling items		
Investments in associated undertakings	(118)	(139)
Finance income payable (net)	860	9,205
Taxation	(5,685)	12,027
Deferred taxation provision (net)	4,941	(6,228)
Restructuring provision	16,899	495
Pension benefit liability	346,478	425,747
Capitalised interest & EHIL adjustments	(1,728)	(3,416)
Liabilities for non relevant eircom operating costs	55,575	46,435
Fair value adjustment in respect of fixed assets	(117,102)	-
Intangible assets	(111,119)	-
Goodwill	(209,497)	-
Elimination of financing balances	499,353	340,705
Elimination of intercompany financing balances	2,336,751	1,770,229
Closing capital employed	1,354,217	1,403,708
Opening capital employed	1,403,708	1,413,736
Total adjusted mean capital employed before determined adjustments	1,378,962	1,408,722
Impact of changes to asset lives	373,558	345,392
Total mean capital employed	1,752,521	1,754,114
Wholesale Access	1,240,674	1,213,444
Wholesale Other	110,552	119,240
Retail	401,297	421,433
Total mean capital employed	1,752,521	1,754,114

Annex 1: Explanatory Report

Explanatory Report – HCA Separated Accounts

This Explanatory Report sets out, and clarifies, trends relating to relevant markets, including any significant future impact on eircom Limited's business from Regulatory Decisions published by ComReg. The report includes commentary in respect of:

- Trends relating to revenue, by Relevant Market;
- Trends relating to volumes, by Relevant Market;
- Significant period on period movements in the reported performance and balances;
- One-off or exceptional events in the period; and
- The impact of material changes in accounting policies, methodologies and estimation techniques (if any) and the extent to which they impact on eir's Separated Accounts.

Overall the consolidated group position shows returns marginally increasing by 1%, with group revenue growth of 2% and a 2% increase in operating costs.

Wholesale Access returns decreased by 1%, whilst returns in Retail were up 33% on the prior year. Returns in Wholesale Other continued their downward decline.

The group registered low single digit revenue growth in each of the three market groups: Wholesale Access, Wholesale Other and Retail. Operating costs increased by 7% in Wholesale Access and 5% in Wholesale Other, whilst Retail costs increased marginally.

The group continued to significantly invest in access network infrastructure, particularly with the ongoing rollout of FTTC (Fibre to the Cabinet). This resulted in Wholesale Access Mean Capital Employed (MCE) increasing by over 2% on the prior year.

Each of the relevant markets is considered in more detail in the following sections.

Note, references to volumes in this report relate to average volumes in 2015/16 and growth trends refer to year on year movements in such average volumes, compared to the prior year. Such movement may differ considerably from changes between opening and closing volumes in the financial year, and in particular from growth measures in ComReg Report 16/76, which contains Key Data for the market for the period to June 30, 2016.

Explanatory Report - Wholesale Access Business - Wholesale Fixed Narrowband Access

Market Definition

The Wholesale Fixed Narrowband Access market consists of links between end users and concentrators, including analogue and ISDN technologies.

Key Market Products

The Wholesale Fixed Narrowband Access market largely consists of products providing wholesale access to PSTN and ISDN lines, known as Single Billing Wholesale Line Rental ('SB-WLR'). Open eir's Reference Interconnect Offer (RIO) includes a number of principal SB-WLR products within this market:

- PSTN and ISDN Connections;
- PSTN Rentals;
- ISDN Basic Rate Access (BRA) Rentals;
- ISDN Primary Rate Access (PRA) Rentals; and
- ISDN Fractional Rate Access (FRA) Rentals.

Open eir provides these wholesale services both externally to Other Authorised Operators ('OAOs') and internally to eir Retail.

Regulatory Decisions in the Year

Decision Notice: DO3/16 was published by ComReg on May 18, 2016 and directed that certain access services should be priced on a cost oriented basis. The price for SB WLR PSTN rental is directed to be €15.91 as and from the July 1, 2016. This decision had no impact on the results for the 12 months to June 30, 2016, but will significantly affect future returns in the wholesale narrowband market.

Trends in Reported Balances

Revenues/Volumes

eir's volume in the Wholesale Fixed Narrowband Access market declined by over 4%, year on year. The decline is attributable to the combined impact of competition and alternative technologies. This compares to an overall year on year reduction of 3% in the PSTN and ISDN market (per ComReg 16/76). The revenue impact from the decline in volumes was partly offset by the effect of the WLR discount on lines with broadband in the LEA applying for the first half of the year ending 2014/15. This resulted in both external and internal revenues declining by 2%.

Operating Costs

Overall operating costs have increased by 3% (before exceptional items). The most significant reason for the increase can be attributed to a sequence of storms in November and December 2015, which resulted in abnormally high rates of fault arrivals and additional costs of approximately €5m.

Return on Capital Employed (ROCE)

Despite a 7% decrease in Wholesale Narrowband Access returns, ROCE was stable at 17% due to a continuing decline in MCE.

Explanatory Report - Wholesale Access Business - Wholesale Fixed Narrowband Access

Exceptional Events/Methodology Changes

The exceptional gain is from the disposal of assets which are no longer required.

An improved methodology for the allocation of in-exchange electricity costs was agreed with ComReg. The change in methodology results in a movement of cost from the Narrowband market to the Broadband market and the Unbundled Access market. This is detailed in Note 1b - Comparative Figures and Methodology Changes.

Explanatory Report - Wholesale Access Business - Wholesale Unbundled Access

Market Definition

The Wholesale Unbundled Access (also known as Wholesale Physical Network Infrastructure Access (WPNIA)) market consists of the provision of direct access to open eir copper connections between customer premises and Main Distribution Frames (MDFs). This market provides services wholly to other OAOs, as eir Retail acquires copper connections through more consolidated products (Wholesale Line Rental & Wholesale Bitstream Access).

Key Market Products

Open eir's Access Reference Offer (ARO) includes two principal products:

- Unbundled Local Metallic Path (ULMP) – LLU; and
- Line Share (LS).

In addition a number of ancillary services exist in support of these principal services, including:

- Connection charges;
- Co-Location fees;
- Disconnection charges; and
- Site preparation charges.

Regulatory Decisions in the Year

Decision D03/16, 'Pricing of eir's Wholesale Fixed Access Services', dated 18 May 2016, will apply to the various forms of Unbundled

Access. From 1 July 2016, the monthly rental LLU price reduces to €9.34, whilst the maximum line share price is maintained at €0.77.

Trends in Reported Balances

Revenues/Volumes

Revenues dropped from €4.0m to €3.3m (18%) with reductions across the unbundled portfolio. LLU rental revenue decreased €0.3m due to a reduction in the line base from 13k to 11k lines. Line share volumes are down from 68k to 54k, leading to a €0.2m decline in revenue. Co-Location revenue has also decreased by €0.15m.

Overall Operating Costs/Profit

Despite revenues falling by 18%, operating costs for unbundled access only decreased by 3%. This resulted in overall returns decreasing by 109% to a negative €1m.

Return on Capital Employed (ROCE)

MCE has stayed relatively flat whilst the overall loss has increased. As a result, the ROCE has fallen to -9%.

Exceptional Events/Methodology Changes

The exceptional gain is from the disposal of assets which are no longer required.

An improved methodology for the allocation of in-exchange electricity costs was agreed with ComReg. The change in methodology results in a movement of cost from the Narrowband market to the Broadband

Explanatory Report - Wholesale Access Business - Wholesale Unbundled Access

market and the Unbundled Access market. This is detailed in Note 1b - Comparative Figures and Methodology Changes.

Explanatory Report - Wholesale Access Business - Wholesale Broadband Access

Market Definition

The Wholesale Broadband Access market is defined by ComReg as consisting of:

- WBA provided over xDSL/copper network infrastructure; and
- WBA provided over fibre network infrastructure.

Key Market Products

Open eir's Wholesale Bitstream Access Reference Offer (WBARO) currently includes the following product types:

- ADSL Legacy Bitstream access, which is regarded as Current Generation Access (CGA);
- ADSL Bitstream Managed Backhaul (BMB) access, including port rental and traffic (also regarded as CGA);
- Bitstream Plus Next Generation Access (NGA) products, provided by a combination of:
 - fibre to the premises or home (FttP/FttH)
 - VDSL, launched from exchange buildings or cabinet (FTTC)
- Multicast Bitstream service, which supports delivery of linear TV services (regarded as NGA).

These products are segmented by service characteristic, primary line speed and contention ratio. The products are offered both externally to OAOs, and internally to eir Retail.

Regulatory Decisions in the Year

The Access Network price review DO3/16 will apply to CGA Standalone Broadband (SABB) outside the LEA and indirectly where Sub Loop Unbundling is an input to margin squeeze tests for NGA SABB.

Trends in Reported Balances

Revenues/Volumes

CGA volumes (Legacy and BMB) continued to decline with the continued expansion of NGA – average BMB volumes fell by 14%, whilst Legacy Bitstream volumes declined by 20%.

Revenues in the WBA market increased 22% year on year mainly from the growth in Bitstream Plus, offset by decreased revenues for both Legacy Bitstream and BMB. Growth in SABB volumes, across both CGA and NGA, was also a contributing factor to revenue growth in the WBA market.

Operating Costs

Overall operating costs increased by 21% (before exceptional items) primarily due to the continued expansion of NGA and increased SABB volumes.

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Return on Capital Employed (ROCE)

MCE increased by 18% in the year, mostly due to direct investment in NGA. As the rate of increase in operating profit was larger, the ROCE modestly improved to 7%, compared to 6% in the prior year. The Bitstream Plus products continue to make a negative return.

Exceptional Events/Methodology Changes

The exceptional gain is from the disposal of assets which are no longer required.

An improved methodology for the allocation of in-exchange electricity costs was agreed with ComReg. The change in methodology results in a movement of cost from the Narrowband market to the Broadband market and the Unbundled Access market. This is detailed in Note 1b - Comparative Figures and Methodology Changes

Explanatory Report - Wholesale Access Business - Wholesale Leased Lines

Market Definition

The Wholesale Leased Lines market consists of the supply of all leased line connectivity to OAOs and eir Retail. This market consists of three main leased lines categories:

- Partial Private Circuit (PPC);
- Wholesale Leased Lines; and
- Wholesale Ethernet Services.

Key Market Products

These products are segmented by service characteristic, primary capacity or bandwidth and distance.

Regulatory Decisions in the Year

ComReg commenced a market review of Wholesale Leased Lines in 2013 and have consulted on the results of this review in August 2016 within '16/69 Market Review of High Quality Access at a Fixed Location'. The consultation proposes the deregulation of the majority of the Leased Line Market, with the exception of Traditional Interface Low Bandwidth circuits (sub-2Mb) and Wholesale Ethernet Interconnect Links (WEILS).

Trends in Reported Balances

Revenues/Volumes

For confidentiality reasons ComReg does not publish statistics for the Wholesale Leased Line market and so we do not divulge eir Wholesale

and Retail volumes in detail within these statements. Ethernet revenue grew by 20% reflecting the continuing market shift to IP based services. PPC and Leased Line rental revenue fell by 22%. Volumes are in decline due to migration to Ethernet services and increased competition from alternative infrastructure, including self-supply by OAOs. Overall revenue was flat, as the decline of legacy services is counteracted by the growth of next generation data products.

Operating Costs/Profit

Overall costs (before exceptional items) increased by 4%. This is primarily due to an increase in the depreciation expense and growth in Ethernet Services. After the exceptional item, overall returns were flat year on year.

Return on Capital Employed (ROCE)

The MCE for the Wholesale Leased Line business has increased by 3%. The MCE increase, combined with flat returns, resulted in ROCE remaining relatively stable at 18%.

Exceptional Events/Methodology Changes

The exceptional gain is from the disposal of assets which are no longer required.

No other exceptional events or methodology changes occurred in the year that materially affected the revenue, or returns, in respect of Wholesale Leased Lines.

Explanatory Report - Wholesale Other Business - Wholesale Call Conveyance

Market Definition

The Wholesale Call Conveyance market consists of:

- Wholesale Call Origination – the conveyance and routing of calls, originating at a fixed location, through any switching stages up to a point of handover. The point of handover can be the primary, tandem, or double tandem exchange associated with the access path on which the call was originated;
- Wholesale Call Transit - wholesale national call transit services on the public telephone network at a fixed location, including inter alia all elements of call routing that take place between Call Origination and Call Termination, and as further defined in Section 6 of ComReg Decision D05/15; and
- Wholesale Call Termination – the conveyance of calls terminating on geographic numbers on eir exchange lines from relevant parent exchanges to the subscriber unit.

Key Market Products

Open eir's Reference Interconnect Offer (RIO) includes a number of products that utilise call origination and call termination:

- Primary Call Origination or Termination;
- Single Tandem Call Origination or Termination; and
- Double Tandem Call Origination or Termination.

For single tandem and double tandem call types, there may be a transit component in addition to the call origination and/or call termination components. Open eir's Commercial Interconnection Services Price List (CISPL) includes the national call transit product. In relation to transit calls to mobile or Number Translation Codes (for

example premium rate calls), the price must recover the relevant outpayments.

Regulatory Decisions in the Year

On July 24, 2015 ComReg issued Decision D05/15 on Wholesale Fixed Voice Call Origination and Transit Markets. The decision, inter alia, required that the boundary between the call origination market and the transit market be redefined, such that all call origination revenues, including the full revenue from tandem and double tandem call origination, would be regarded as Call Origination revenue from 2015/16.

D05/15 also removed all ex-ante regulation from the redefined transit market from 2015/16.

Regulatory Pricing Framework

Prices for RIO call origination and termination services are subject to direct approval by ComReg and are published in the 'open eir Reference Interconnect Offer'.

Under Decision D05/15, call origination prices are required to be cost oriented and such costs are required to be calculated using a pricing model. This pricing model should be based on forward looking, long run, incremental costs ("FL-LRIC+"), or an alternative pricing model if ComReg decides, following consultation.

Under Decision D12/12, fixed operators with SMP in termination on their own network are required to set prices to recover only pure LRIC costs.

Explanatory Report - Wholesale Other Business - Wholesale Call Conveyance

Trends in Reported Balances

Revenues/Volumes

Overall, call origination and call termination revenue and volumes continue to decline steadily due to the impact of fixed mobile substitution, alternative technologies, and competition on both the total number of call minutes supplied and the proportion of those minutes originating on fixed lines. A price reduction, from July 2015, on primary call termination rates, as required under Decision D12/12, also contributed to an overall year on year decline of almost 20% in combined call origination and termination revenues.

Whilst call transit revenues were stable, gross margin remains low, due to large outpayments to mobile operators and other service providers.

Operating Loss

Operating loss after depreciation increased by 76% to €6m, largely due to a significant decline in call origination revenue and continued significant losses on call termination.

Whilst revenues on call termination reflect pure LRIC pricing, cost allocation remains on a fully allocated cost basis. As per Section 7.177 of Decision 12/12, ComReg indicated that fixed and common costs no longer recovered from call termination revenue could be recovered from other wholesale services as appropriate.

Return on Capital Employed (ROCE)

The total MCE in the Wholesale Call Conveyance market declined by 5%, with overall negative ROCE increasing to -7% from -4% in the prior year.